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Institute of Government
University of North Carolina
Chapel Hill

SPECIAL STUDY

MARCH, 1957

INCORPORATION OR ANNEXATION?
A REPORT TO THE PEOPLE OF HARBOR ISLAND

By

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FOREWORD

This report has been prepared by the Institute of Government at the request of the Harbor Island Citizens' Association. A number of persons in Harbor Island, Wrightsville Beach, and New Hanover County have contributed time and information of great value in making the study and in preparing the report. Special mention should be made of the cooperation of Mayor R. A. Dunlea of Wrightsville Beach; Mr. R. L. Benson, Town Clerk of Wrightsville Beach; Mrs. Pauline C. Bartlett of the Shore Acres Company; Mr. T. D. Love, New Hanover County Tax Supervisor; the Staff of the New Hanover County Health Department; and the officers of the Harbor Island Citizens' Association, Mr. Jack V. Glisson, Mrs. R. F. Paulk, and Mr. Lloyd Stanley.

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PART I. INTRODUCTION

Background

In January, 1924, the Shore Acres Company was organized to develop Harbor Island. Since that time, the Company has platted the land, opened and paved streets, installed water lines, and has provided a number of other municipal type services such as street lights, garbage collection and park maintenance.

Under a deed provision, all purchasers of property in the development are committed to pay the Company four mills per year for each square foot of land. The assessments so collected, currently about \$6,300 a year, are used to finance the services which the Company agreed to furnish the owners of lots and homes. All property owners pay the four mills assessment, regardless of the value of their lots or the value of any buildings thereon. Assessments are also paid into this operation fund by Shore Acres itself for the vacant lots which are still being held for sale.

Development of the Island is nearing its present limit. There are now some 175 residential structures and about 15 commercial buildings. Only a few vacant lots remain on the opened and paved streets. Additional land area is available, but this must be drained before it will be suitable for development.

For many years the assessments collected by Shore Acres were adequate to finance the services needed. Following World War II, however, with the increase in costs, the advent of several severe hurricanes, and fuller development of the Island, a number of problems arose. Streets were in need of repair, sewage disposal (by septic tanks) was proving unsatisfactory in some areas, the public piers were unsafe, storm drainage was inadequate, and water pressure was too low.

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For many years the assessments collected by Shore Acres were adequate to finance the services needed. Following World War II, however, with the increase in costs, the advent of several severe hurricanes, and other development of the Island, a number of problems arose. Streets were in need of repair, sewage disposal (by septic tanks) was proving unsatisfactory in some areas, the public plans were unsafe, storm drainage was inadequate, and water pressure was too low.

It became clear that correction of all these problems could not be financed from the \$6,300 a year collected by Shore Acres and that to increase the assessment would be quite difficult. Moreover, the basis of the assessment, once reasonable, was no longer entirely equitable. Two owners of lots of the same size pay the same assessment, even though one lot may be vacant and the other contain a \$20,000 house whose owners make daily use of such services as garbage collection and street lights.

Early in 1955, the Harbor Island Citizens' Association was formed to provide an organized means of considering the problems facing the residents.

Preliminary study indicated that there were at least four alternative courses of action which might offer a possible solution:

1. Incorporating as the Town of Harbor Island
2. Securing annexation to Wrightsville Beach
3. Organizing into a sanitary district
4. Continuing on the present basis

Further discussion with officers of the Shore Acres Company and consideration of the problems suggested that the fourth alternative was not a practical possibility. Under the existing arrangement, Shore Acres simply could not offer the services needed.

With the alternatives reduced to three, a meeting of residents was held in August of 1956 at which time George Esser of the Institute of Government discussed and compared in general terms the probable results under each of the three remaining courses of action. It was at this time also that the Institute of Government agreed to make a detailed study of the situation and to outline the probable costs under each of the alternatives.

Scope of the Study

Soon after the meeting of August, 1956, it became apparent that most of the residents would prefer either incorporation or annexation to Wrightsville Beach to the formation of a sanitary district. Either of the first two alternatives offered greater flexibility of action and seemed better adapted to meeting the problems than the formation of a sanitary district. As a result, the Institute study was limited to determining the cost of providing services under each of these alternatives and an analysis of the revenue and tax picture under each.

In making the study, a careful examination of all services now provided on both Harbor Island and Wrightsville Beach was first necessary. This analysis indicated what was being done, how it was being done, and how much it costs. By reviewing services in both communities, a comparison of present and proposed services has been provided. This analysis is reported in Part II of this report for all so-called General Fund services. Water and Sewer services are reported in Part V.

An examination of revenues was next made. This included an analysis of existing revenues for Wrightsville Beach and the determination of added revenue which would be available should Harbor Island be annexed. Determination of the revenue available should Harbor Island decide upon separate incorporation was also made. Reports on revenues are found in Part III for the General Fund budget and in Part VI for Water and Sewer operations.

Costs are compared with revenues under each alternative in Part IV for the General Fund. The same comparison with a discussion of financing problems is found in Part VI for Water and Sewer services needed.

General conclusions about the situation on Harbor Island are summarized in Part VII.

General Remarks

The first section of the report is devoted to a general description of the project and its objectives. It is followed by a detailed account of the work done during the period covered by the report. The results of the work are then presented in a series of tables and figures. The final section of the report is a summary of the work done and a discussion of the results.

The project was carried out under the supervision of the Director of the Institute of Physics, University of Cambridge. The work was done by the following persons: [names of staff members]. The results of the work are presented in the following tables and figures.

The first table shows the results of the measurements of the [description of measurement]. The second table shows the results of the measurements of the [description of measurement]. The third table shows the results of the measurements of the [description of measurement]. The fourth table shows the results of the measurements of the [description of measurement]. The fifth table shows the results of the measurements of the [description of measurement].

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The study and the report have been primarily concerned with the problems facing the community of Harbor Island as a whole rather than the problems of residents as individuals. Each resident, however, is interested in exactly what services he will receive under each of the alternatives and how much more or less it will cost him. The main study indicates the probable level of services which he will receive as a result of either course of action. The change in the cost picture for a typical resident is set forth in outline form in the Appendix.

1. The first part of the document is a letter from the President of the United States to the Congress, dated January 8, 1801. It is a very important document, as it is the first time that the President has addressed the Congress in a formal manner. The letter discusses the state of the Union and the progress of the government since the inauguration of the President on January 20, 1801.

2. The second part of the document is a report from the Secretary of the Treasury, dated January 10, 1801. It discusses the state of the Treasury and the progress of the government since the inauguration of the Secretary on January 20, 1801. The report is a very important document, as it is the first time that the Secretary has addressed the Congress in a formal manner.

3. The third part of the document is a report from the Secretary of the Navy, dated January 10, 1801. It discusses the state of the Navy and the progress of the government since the inauguration of the Secretary on January 20, 1801. The report is a very important document, as it is the first time that the Secretary has addressed the Congress in a formal manner.

4. The fourth part of the document is a report from the Secretary of the War, dated January 10, 1801. It discusses the state of the War and the progress of the government since the inauguration of the Secretary on January 20, 1801. The report is a very important document, as it is the first time that the Secretary has addressed the Congress in a formal manner.

5. The fifth part of the document is a report from the Secretary of the Interior, dated January 10, 1801. It discusses the state of the Interior and the progress of the government since the inauguration of the Secretary on January 20, 1801. The report is a very important document, as it is the first time that the Secretary has addressed the Congress in a formal manner.

PART II. ANALYSIS OF GENERAL FUND SERVICES AND COSTS

Introduction

Municipalities exist for two general purposes: first, to regulate personal conduct and the use of property in behalf of the health, safety and welfare of the whole community, and second, to provide certain services which people need because they live close together. Both purposes are prominent in the functions of larger municipalities. In smaller communities, however, most of the governmental activities are designed to provide community services to the people. Regulatory activity plays a relatively minor role.

It was the lack of adequate municipal-type services, as distinguished from the need for regulation, which caused the people of Harbor Island to consider incorporation or annexation to Wrightsville Beach. For this reason, this study has been primarily concerned with the services which may be provided and what they will cost.

Naturally, the higher the level of service the higher the cost. Garbage collection six days a week will cost more than collection only once a week. Collection from the backyards of residences will require more time and effort than collection from the street. Thus before costs can be compared, the level or quality of services must be compared.

As noted before, it has been assumed that the residents of Harbor Island will probably choose between separate incorporation and annexation to Wrightsville Beach. Because these are the two alternatives, the following discussion of costs is based primarily on the level of service found in Wrightsville Beach. This makes it possible to compare realistically the difference in cost of securing services under the two different courses of action. Since some Harbor Island residents may not have knowledge of the level of services offered by Wrightsville Beach, a brief description of each service is given prior to the discussion of costs.

Introduction

It is a well-known fact that the world is a very complex and varied place. The way of life of the people of the world is constantly changing and the whole community is constantly being reshaped. It is not because the world is so large and so varied that it is so difficult to understand. It is because the world is so small and so united that it is so difficult to understand. The world is a very small place and the people of the world are very much alike. They all have the same needs and the same desires. They all want to live in peace and harmony and to be happy and content. The world is a very united place and the people of the world are very much alike. They all have the same needs and the same desires. They all want to live in peace and harmony and to be happy and content.

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It should be remembered that if the decision is to incorporate, it would not be necessary for the new Town of Harbor Island to provide all the services analyzed here and which are now performed by Wrightsville Beach. However, with future growth there would undoubtedly be a growing demand for more services. For this reason, all services have been discussed. The decision as to when they are needed remains with the people of Harbor Island.

Police Protection

A. Present Service

Harbor Island. Residents of Harbor Island now receive law enforcement protection from the Sheriff's department of New Hanover County. One of the deputy sheriffs has his home on Harbor Island and so also does a member of the State Highway Patrol. There is no assurance, however, that these two officers will continue to reside on the Island and the Sheriff's office must be considered as the only source of police protection. There is a difference of opinion among Harbor Island residents as to the adequacy of the present arrangement. Some citizens are well satisfied, while others would like more quickly available protection. If the number of commercial establishments along the causeway continues to grow, a need for more police protection will probably develop.

Wrightsville Beach. Wrightsville Beach employs four full-time policemen, including the Chief of Police. Extra men are employed for summer duty. [In addition, Wrightsville Beach firemen assist in patrol duty, thus increasing the level of police protection.] At present, two police cars are maintained for patrol duty. The Town is served regularly by patrols and the police are available by radio dispatch at all times.

the Commission's findings that the defendant had a "good character" and was "not a habitual offender."

The defendant's good character and lack of criminal record were considered by the Commission in its decision to recommend a sentence of probation.

The Commission also considered the defendant's age, his employment history, and his family situation in making its recommendation.

The Commission found that the defendant was a "good person" and was "not a habitual offender."

The Commission recommended that the defendant be sentenced to probation for a period of one year.

Recommendation

Probation for one year

The Commission recommends that the defendant be sentenced to probation for a period of one year.

The Commission also recommends that the defendant be required to attend counseling sessions during the probation period.

The Commission further recommends that the defendant be required to maintain employment during the probation period.

The Commission also recommends that the defendant be required to maintain good behavior during the probation period.

The Commission further recommends that the defendant be required to maintain contact with the probation officer during the probation period.

The Commission also recommends that the defendant be required to maintain good character during the probation period.

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B. Cost Under Alternatives

Annexation. Wrightsville Beach officials estimate that the regular patrol service could be supplied to Harbor Island with the employment of one additional policeman, plus some small increase in expenses for patrol cars and miscellaneous items. However, since the patrol duty on Harbor Island would probably not require the full time of one man, the estimated increase in police costs resulting from the annexation of Harbor Island is \$3,500.

Incorporation. As noted before, some residents are satisfied with the present protection. However, a minimum level of protection might be secured by the Town itself with the employment of one policeman (\$3,500) plus an allowance for his automobile (\$600), for a total cost of \$4,100 a year.

Fire Protection

A. Present Service

Fire protection is now provided to residents of both Harbor Island and Wrightsville Beach by the Wrightsville Beach Fire Department. The Department is composed of three full-time firemen-policemen, the chief, who is a volunteer, and 38 volunteer firemen, some of whom are Harbor Island residents. Two 500 gallon pumpers and one old 750 gallon pumper constitute the equipment on hand. Each pumper is equipped with about 1,000 feet of hose.

Water pressure on Harbor Island is inadequate for fire fighting purposes. Moreover, the hydrants on Harbor Island are not standard and it is necessary to use an adapter to connect Wrightsville Beach equipment to them. Water pressure on Wrightsville Beach is not fully adequate to meet every emergency. To afford more water for fire purposes, the Town has constructed several ramps into the Banks Channel so that pumpers might draft water from the channel for fire fighting.

MEMORANDUM FOR THE DIRECTOR, FBI

SUBJECT: [Illegible]

1. [Illegible]

2. [Illegible]

3. [Illegible]

4. [Illegible]

5. [Illegible]

6. [Illegible]

7. [Illegible]

8. [Illegible]

RECOMMENDATION

It is recommended that:

1. [Illegible]

2. [Illegible]

3. [Illegible]

4. [Illegible]

5. [Illegible]

6. [Illegible]

7. [Illegible]

8. [Illegible]

9. [Illegible]

10. [Illegible]

11. [Illegible]

Very truly yours,
[Illegible Signature]

B. Cost Under Alternatives

Annexation. The cost of providing fire protection at present levels would not increase for Wrightsville Beach should Harbor Island be annexed since this protection is already offered. The present charge of \$100 for answering each call on Harbor Island would be eliminated, thus decreasing revenues slightly.

In the near future improvement in the water pressure will undoubtedly be required. This will probably mean the erection of two additional storage tanks: one at the northern end of Wrightsville Beach and one on Harbor Island. In addition, the fire hydrants on Harbor Island should be replaced. [These costs are not estimated here since they would mean a higher level of service than now provided. Such improvements would probably result in a reduction in fire insurance rates. A study to determine the exact cost of making the improvements and the amount which residents would save on fire insurance would be helpful to citizens of both communities.]

Incorporation. The cost of fire protection following incorporation is more difficult to estimate since the manner of securing the protection is not known. If Wrightsville Beach should be willing to continue to furnish fire protection on an individual basis, there would be no cost to the incorporated community. In this event, the Town of Harbor Island would provide no fire protection services.

The more common arrangement established when one town provides fire protection for the citizens of another is to do so for a flat annual fee. This fee is the result of negotiation between the two governing boards and is made the subject of a contract between them. If the cost of operating the Wrightsville Beach Fire Department were split between the two communities according to the value of property in each, the annual cost to Harbor

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Island would be approximately \$3,000. This estimate is based on the property tax valuations for 1956 and the Wrightsville Beach Fire Department budget for 1956-57. In determining the charge for fire protection to Harbor Island, consideration would undoubtedly be given by Wrightsville Beach to the value of services rendered by volunteer firemen who were residents of Harbor Island. Just what the exact charge would be, of course, is unknown.

It would also be possible for Harbor Island to purchase its own fire fighting equipment and organize a separate fire department--probably a completely volunteer one. One small truck with auxiliary equipment would probably require an initial capital outlay of \$12-15,000. In addition, a fire house for storing the truck and equipment would be needed. If the capital costs are amortized over a period of years and annual operating costs are added, it may be seen that the annual cost of a separate Harbor Island Fire Department would probably amount to at least \$2,500-\$3,000. The protection afforded by a volunteer department of this type, of course, would not be equal to that now afforded by the Wrightsville Beach department. [This course of action would also make it necessary for Wrightsville Beach to secure replacements for the volunteer firemen who are now residents of Harbor Island.]

Street Lighting

A. Present Service

Both communities have adequate street lighting which was installed and is maintained under a contract with the local power company. Rates are established for different sizes of lights. New lights may be added as they are needed under the terms of the contract.

B. Cost Under Alternatives

At the present time, Shore Acres Company pays \$455.40 annually for the power and maintenance on the 24 existing street lamps on Harbor Island. Since the same rates apply to both Harbor Island and to Wrightsville Beach, the cost for street lighting would be the same, regardless of the course of action adopted.

Garbage and Trash Collection and Disposal

A. Present Service

Harbor Island. Garbage and trash are collected on Harbor Island by the Shore Acres Company. Garbage is collected three days each week and trash is collected on alternate days. Collection is made into an open-bed truck from cans which are placed on the street by residents. Some of the business establishments are charged extra fees and receive more frequent collection service. Garbage and trash are dumped at the Wrightsville Beach landfill and open-air incinerator under an agreement with the Town of Wrightsville Beach. For this privilege, Shore Acres pays Wrightsville Beach \$180 a year.

Wrightsville Beach. Garbage and trash collections are made four days each week on Wrightsville Beach during the winter. During the summer, there are daily collections. At present, all collections are from cans placed along the street by residents, but the Board of Aldermen is considering revising the procedure so that collection is made from the rear of residences in order to eliminate the unattractive garbage cans on the streets.

Wrightsville Beach's sanitation equipment consists of one packer, one scow bodied truck and one open-bed truck. Consideration has been given to replacement of one of the trucks with another packer. As noted above, disposal

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Appendix A: List of Figures

Figure 1: A line graph showing the relationship between the number of people and the amount of food. The x-axis is labeled 'Number of People' and the y-axis is labeled 'Amount of Food'. The graph shows a linear relationship, indicating that the amount of food is directly proportional to the number of people.

Figure 2: A bar chart showing the distribution of food among different groups. The x-axis is labeled 'Group' and the y-axis is labeled 'Amount of Food'. The chart shows that the amount of food is distributed equally among the groups.

Figure 3: A pie chart showing the distribution of food among different groups. The chart shows that the food is distributed equally among the groups.

Appendix B: List of Tables

Table 1: A table showing the relationship between the number of people and the amount of food. The table shows that the amount of food is directly proportional to the number of people.

Table 2: A table showing the distribution of food among different groups. The table shows that the food is distributed equally among the groups.

Appendix C: List of Equations

Equation 1: A equation showing the relationship between the number of people and the amount of food.

is by landfill and open-air burning. A tractor with blade attached is presently used in the landfill operation; however, consideration has also been given to securing a crawler tractor to be used for the landfill, in street work, and for beach maintenance.

There are three full-time employees in the sanitation department, in addition to the sewer department employee who operates the landfill as a part of his duties. Two or three extra men are employed by the department during the summer.

B. Cost Under Alternatives

Annexation. Wrightsville Beach officials estimate that the present equipment is adequate to take care of the collection of garbage and trash on Harbor Island. As both communities grow, it may be necessary to add at least another load packer. It is estimated that one additional full-time employee would be needed immediately if Harbor Island were annexed. The estimated additional cost of the extra employee, extra use of equipment, and loss of the disposal fee from Shore Acres, would amount to \$3,000 annually. [Note: If this amount is divided by the 200 residential and business units on Harbor Island--assuming that each water meter represents a unit--the annual cost of collection and disposal per unit is found to be \$15, or \$1.25 a month.]

Incorporation. Estimation of the cost of garbage and trash collection following the incorporation of the Town of Harbor Island is difficult. Undoubtedly, the Town would use the same labor force for street, storm drainage, and other work as well as sanitation work, just as Shore Acres is now doing. The per unit cost as developed above for Wrightsville Beach, however, could probably be considered as an absolute minimum. It is more probable that

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separate collection by the Town of Harbor Island would cost more than \$3,000 a year since the Town would probably not be able to utilize a load packer and thus realize a saving in labor costs. An estimate of \$3,300 a year would probably be more reasonable. This assumes that the Town could continue to contract with Wrightsville Beach for the disposal of garbage at the present rate of \$180 a year.

Two other possible courses of action with respect to the disposal of garbage and trash would be open to the new Town. First, the Town could provide no collection service and let each property owner arrange for collection and disposal with a private contractor. Or secondly, the Town could enter into a contract under which Wrightsville Beach would perform the service for a stipulated price. In the first case, of course, the Town would bear no expense. The cost of the second course of action would be subject to negotiation between the governing boards of the two communities.

Street Maintenance

A. Present Service

Harbor Island. There are 2.32 miles of paved streets on Harbor Island, exclusive of the State-maintained highway. All streets were paved by Shore Acres and are maintained by Shore Acres. Most of the streets are concrete. Only two are paved with asphalt. Shore Acres has been spending very little on street maintenance and the asphalt streets are in rather poor repair, needing resurfacing and the installation of curb and gutter.

Wrightsville Beach. There are 5.207 miles of streets in the present Wrightsville Beach street system (exclusive of state maintained highways). Of this total, 3.584 miles are paved, 1.563 miles are stabilized with stone and gravel, and .06 miles are unpaved. Maintenance equipment is quite

in a letter to Labor Union, an estimate of \$1,500 a year.

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adequate and includes such items as trucks, grader, and asphalt kettle. All new construction is let to private contractors. Cost of new street paving and curb and gutter is split three ways between the Town and the property owners on each side of the street.

B. Cost Under Alternatives

Annexation. Wrightsville Beach could maintain the streets of Harbor Island with its present force of three men and the equipment on hand. Property owners, of course, would be assessed for two-thirds of the total cost of installing curb and gutter and new streets. The cost of equipment operation and the cost of materials and supplies would naturally increase with the addition of more miles of street to maintain. On the basis of present costs in Wrightsville Beach, it is estimated that the added cost for street maintenance (including street cleaning) would be \$1,700 a year following annexation.

Incorporation. After incorporation, Harbor Island could either (a) purchase the street maintenance equipment necessary for providing maintenance with its own forces, or (b) let all maintenance and repair work to private contractors on a unit cost basis. Because of the relatively small amount of work to be done, the average unit costs under either plan would probably be high. Regardless of the method adopted, \$2,500 a year for street maintenance would probably be close to the minimum expenditure possible.

Sidewalks

A. Present Service

In both communities there are sidewalks along some streets and not along others. On Wrightsville Beach, sidewalk construction is financed

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entirely by assessment against the benefited property. Maintenance is by the Town. Sidewalks on Harbor Island were constructed by Shore Acres and are maintained by Shore Acres.

B. Cost Under Alternatives

Assessment to abutting property for the cost of constructing sidewalks is a practice found in practically all towns. It is assumed, therefore, that under neither alternative would sidewalk construction create additional costs.

It is also assumed that maintenance would be borne by the Town of Harbor Island after incorporation just as it would by Wrightsville Beach after annexation. Since sidewalk maintenance costs are included with general street maintenance costs for Wrightsville Beach, they have not been estimated separately. The estimates for street maintenance also include sidewalk maintenance cost for both alternatives.

Storm Drainage

A. Present Service

Harbor Island. Storm drainage had become a serious problem on Harbor Island in recent years and after Hurricane Hazel the citizens, with financial assistance from the County, installed storm drainage facilities in part of the Island. As a result, drainage is fairly satisfactory at the present, except for parts of the asphalt paved streets. Further installations will probably have to be made in the future. Shore Acres is responsible for maintenance of the gutters and the cleaning of the catch basins.

Wrightsville Beach. Storm drainage on Wrightsville Beach is quite adequate, having been installed where necessary as the streets were paved. Maintenance is by the Town.

1. The first part of the report deals with the general situation of the country and the progress of the work during the year.

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B. Cost Under Alternatives

Since the cost figures of Shore Acres and Wrightsville Beach do not separate storm drainage costs from general street costs, the cost of storm drainage is not estimated separately, but is included in the estimate for street maintenance.

Street Name Signs

The Garden Club of Harbor Island has erected on Harbor Island street name signs of the same type found on Wrightsville Beach. Thus neither course of action would create an immediate outlay for street signs. The maintenance cost for street name signs would be quite small, though the exact amount is not known. Wrightsville Beach does not keep separate cost records for this function of the street department. This cost too is covered in the general estimate for street maintenance.

General Administration

A. Present Service

Harbor Island. Shore Acres now employs one person to perform the general administrative duties in connection with the services provided. This includes supervision of the two-man work force as well as the collection of assessments and the handling of other administrative matters.

Wrightsville Beach. General administrative duties such as tax listing and collection, water and sewer billing and collection, accounting, and the issuance of licenses are handled by a staff of three persons in Wrightsville Beach.

B. Cost Under Alternatives

Annexation. Because of the economics of larger scale operations and

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the more intensive use of already existing equipment, Wrightsville Beach officials estimate that the general administrative force would need to be increased by only one clerical employee should Harbor Island be annexed. The increase in administrative costs is estimated to be \$2,500 a year.

Incorporation. Following incorporation, the general administrative force of the Town of Harbor Island would be responsible for tax listing and collection, accounting, supervision of the operating departments such as streets, sanitation, fire and police, the billing and collecting for water and sewer services, the issuance of licenses and permits, serving as clerk to the governing board, and other miscellaneous duties. It is possible that a town clerk with the assistance of a bookkeeper (part-time) could adequately handle general administration. (Cost of the labor force for work outside the town office has been estimated previously under the discussion of the various service functions.)

To the cost of personal services in general administration must be added the cost of telephones, office space, office furniture, equipment and supplies, postage, and the expenses of the town attorney and the governing board. It seems probable that the minimum annual cost for general administration would not be less than \$4,500.

Miscellaneous Functions

Public Piers. Harbor Island has five piers which were built by Shore Acres Company. Four are in disrepair and are not being maintained. One pier on the northern part of the Island has been repaired by local residents. Some of the materials used in the repair were supplied by Shore Acres. However, Shore Acres is no longer in a position to maintain the piers and does not expect to keep them in repair.

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Wrightsville Beach has no public piers, but it does have a municipal dock. Annual revenues from the use of the dock are more than adequate to meet operating expenses and repay the initial cost. (Annual revenues are about \$1,700 and the original cost was \$7,500.)

Should Harbor Island be annexed to Wrightsville Beach, maintenance of the piers would not be assumed by Wrightsville Beach. Should Harbor Island decide to incorporate separately, it could choose to maintain them or not. No estimate of the cost of rebuilding and maintaining the present piers (or others which might be added) is made.

Bulkheads. The bulkheads on Harbor Island were originally built by Shore Acres. Maintenance of the bulkheads is the responsibility of the property owners concerned. Shore Acres maintains the bulkheads only along the end of streets which project up to the waterfront and along park areas. In 1955, Shore Acres spent \$265 for the repair of the bulkheads.

It is assumed that under either course of action, the municipality (Harbor Island or Wrightsville Beach) would only maintain the bulkheads to the same extent that Shore Acres now does, that is, that portion along the front of public property. Owners of waterfront property would continue to be responsible for the maintenance of the bulkhead in front of their lots.

Jetties. Wrightsville Beach constructed 16 jetties along the beach in the 1930's, financed largely with the assistance of Federal funds. These jetties, originally about 300 feet in length, are now in poor repair and no work is being done to maintain them. There are tentative plans for constructing one large jetty, perhaps 500 to 1,000 feet in length, at each end of Wrightsville Beach. It is believed that these two large jetties would protect the beach more adequately than a larger number of small ones. Actual construction, however, has yet to be scheduled.

The beach has no public place, but it does have a municipal

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Should Harbor Island be annexed to Wrightsville Beach and these jetties constructed, Harbor Island residents, of course, would share in the cost of construction through their tax payments.

Parks and Plazas. There are several small parks and plazas on Harbor Island which were dedicated to public use at the time the Island was developed. Upkeep on these, largely the cutting of weeds and grass and the removal of trash, is performed by Shore Acres. These acres would become municipal property under either of the proposed courses of action and the maintenance of the areas a public responsibility. The cost is not estimated separately since it is quite small. Wrightsville Beach could probably do the work with less expense since it already has the equipment necessary. Maintenance by Harbor Island would involve the purchase of equipment for very limited use, thus increasing the cost.

to be annexed to Washington Beach and these jetties

then island residents, of course, would have to be out of

their homes for some time.

These, largely the cutting of weeds and grass and the removal of

the, is performed by the residents. These areas would be under municipal

control under either of the proposed systems of action and the residents

would be responsible for the maintenance of the areas.

Washington Beach could probably do the work with

the equipment necessary. Maintenance by

the residents would be necessary. Maintenance by

TABLE 1

SUMMARY OF ESTIMATED ANNUAL
GENERAL FUND SERVICE COSTS

<u>Function</u>	<u>Separate Incorporation</u>	<u>Annexation to Wrightsville Beach</u>
Police Protection	\$ 4,100	\$ 3,500
Fire Protection	3,000	-0-
Street Lighting	455	455
Garbage and Trash	3,300	3,000
Street Maintenance	2,500	1,700
(Includes sidewalks, storm drainage, and street name signs.)		
General Administration	4,500	2,500
Miscellaneous Functions		
Bulkheads	300	300
Public Piers	?	-0-
	<hr/>	<hr/>
Total	\$18,155	\$11,455

SUMMARY OF RETIRED ANNUAL

1961	1962	1963	1964
1,000,000	1,000,000	1,000,000	1,000,000
1,000,000	1,000,000	1,000,000	1,000,000
1,000,000	1,000,000	1,000,000	1,000,000
1,000,000	1,000,000	1,000,000	1,000,000
1,000,000	1,000,000	1,000,000	1,000,000
1,000,000	1,000,000	1,000,000	1,000,000
1,000,000	1,000,000	1,000,000	1,000,000
1,000,000	1,000,000	1,000,000	1,000,000
1,000,000	1,000,000	1,000,000	1,000,000
1,000,000	1,000,000	1,000,000	1,000,000
1,000,000	1,000,000	1,000,000	1,000,000

PART III. ANALYSIS OF GENERAL FUND REVENUES

Anticipated annual revenues in the event of annexation to Wrightsville Beach, or separate incorporation, are summarized in Table 2 (page 22). The following notes will be helpful in studying this table.

Property Taxes. The current Wrightsville Beach tax rate of \$2.00/\$100 was applied to the total assessed valuation of Harbor Island's real and personal property. An examination of the New Hanover County tax records revealed a total assessed valuation of \$939,755 for Harbor Island as follows:

	<u>Real Property</u>	<u>Personal Property</u>	<u>Totals</u>
Residential property	\$728,890	\$132,525	\$861,415
Non-residential property	58,820	19,520	78,340
	-----	-----	-----
Totals	\$787,710	\$152,045	\$939,755

For purposes of the estimate at this point, it is assumed that the Wrightsville Beach tax rate of \$2.00 will continue in force in the event of annexation; and that in the event of separate incorporation the new town would adopt the \$2.00 rate.

Intangible Taxes. The State intangibles allotment is distributed to local governments on the basis of the following formula: The amount allocated by the State to the counties is prorated as between the county and the municipalities therein on the basis of the total ad valorem levy (i.e., the amount of property tax revenues collected) on the property within the particular jurisdiction. In developing the estimate shown in Table 2, the intangibles allotment to New Hanover County and its component municipalities for the fiscal year ending June 30, 1956 was employed. This allotment amounted to \$352,376.08.

Powell Bill Funds. Powell Bill funds are derived from the State gasoline tax and are distributed to municipalities on the basis of street mileage and population. The estimate herein is based on the distribution per street mile in 1956 (\$496.66) and the 1956 per capita allotment of \$2.04 per person. Harbor Island's population is estimated at 600. Street mileage eligible for Powell Bill funds is calculated at 2.32 miles.

Auto Licenses. Municipalities are authorized to collect a motor vehicle license tax of \$1.00. For purposes of the estimate shown in Table 2, it has been assumed that there is one car for each three Harbor Island residents, or a total of 200 cars. Whether annexation or incorporation takes place, the same \$200 could be collected.

Beer and Wine Taxes. The municipal share of the State's beer and wine crown tax is distributed on a per capita basis. Over the past few years the per capita figure has averaged \$.79 annually. This is the figure that was employed in calculating the total beer and wine revenue shown in Table 2.

Franchise Taxes. From the State-collected tax on utilities, an amount is distributed to each municipality equal to a tax of three-fourths of one per cent of the gross receipts of the utility companies from the locality. In developing our estimate, current average monthly Harbor Island telephone and electric bills were employed. The average monthly telephone bill was estimated at \$4.50; the electric bill, at \$12.00.

Privilege License Taxes. This estimate is based on the kind and size of businesses now in Harbor Island and the licensing practices of Wrightsville Beach.

John C. H. Henry

TABLE 2

ESTIMATED GENERAL FUND REVENUES

<u>Revenue Source</u>	<u>Separate Incorporation</u>	<u>Annexation to Wrightsville Beach</u>	
	1957	1957	1960 ^a
Property	\$18,795.10	\$18,795.10	\$18,795.10 ^b
Intangibles	2,548.61	2,548.61	2,548.61
Powell Bill	2,377.37	1,152.29	2,377.37
Auto Licenses	200.00	200.00	200.00
Beer and Wine	474.00	-0-	474.00
Franchise	288.00	288.00	288.00
Privilege License	600.00	600.00	600.00
Totals	\$25,283.08	\$23,584.00	\$25,283.08

^aWhere State-shared revenues are distributed, in whole or in part, on a per capita basis to an existing municipality the population figure employed is the previous U. S. census total. Thus, in the event Harbor Island is annexed to Wrightsville Beach, the Town of Wrightsville Beach would not be eligible for Beer and Wine funds and for the per capita portion of the Powell Bill funds until after the 1960 census. However, when a new town incorporates, it may estimate its population at the time of incorporation, pending the next census, for purposes of sharing in per capita allotments. (G.S. 160-4.1) Thus the new Town of Harbor Island would be eligible immediately for per capita allotments. Harbor Island's population is estimated to be 600 persons.

^bIt is assumed here that the current total assessed valuation of Harbor Island property will remain the same in 1960. The rate of \$2.00/\$100 is also employed here.

100,000.00	100,000.00	100,000.00
200,000.00	200,000.00	200,000.00
300,000.00	300,000.00	300,000.00
400,000.00	400,000.00	400,000.00
500,000.00	500,000.00	500,000.00
600,000.00	600,000.00	600,000.00
700,000.00	700,000.00	700,000.00
800,000.00	800,000.00	800,000.00
900,000.00	900,000.00	900,000.00
1,000,000.00	1,000,000.00	1,000,000.00

The first of these is the fact that the population of the United States in 1900 was 76,000,000. This was a very large number for that time, and it was the result of a number of factors. One of the most important was the immigration of people from Europe. Another was the growth of the American population in the West. The third was the increase in the birth rate. The fourth was the decrease in the death rate. The fifth was the increase in the life expectancy. The sixth was the increase in the number of people who were able to live longer. The seventh was the increase in the number of people who were able to live better. The eighth was the increase in the number of people who were able to live more. The ninth was the increase in the number of people who were able to live more. The tenth was the increase in the number of people who were able to live more.

It is interesting to note that the population of the United States in 1900 was 76,000,000. This was a very large number for that time, and it was the result of a number of factors. One of the most important was the immigration of people from Europe. Another was the growth of the American population in the West. The third was the increase in the birth rate. The fourth was the decrease in the death rate. The fifth was the increase in the life expectancy. The sixth was the increase in the number of people who were able to live longer. The seventh was the increase in the number of people who were able to live better. The eighth was the increase in the number of people who were able to live more. The ninth was the increase in the number of people who were able to live more. The tenth was the increase in the number of people who were able to live more.

PART IV. COMPARISON OF GENERAL FUND COSTS AND REVENUES

Annexation to Wrightsville Beach

From the foregoing analysis it may be seen that providing the general fund services to Harbor Island at the level now prevailing on Wrightsville Beach would cost Wrightsville Beach an estimated additional \$11,455 each year.

The non-property tax revenues resulting from annexation would provide additional income of \$4,789 each year on the basis of current allocations. (This will increase to \$6,488 a year after 1960.) This would leave \$6,666 to be raised from the property tax. When an allowance is made for non-collection, the amount which would have to be levied is found to be \$7,406. (In calculating the levy, Wrightsville Beach assumes 10 per cent non-collection. This is usually greater than actual non-collections, but the resulting surplus is carried forward into the subsequent budget year and thus lowers the levy necessary for that year.)

If this amount is added to the approximately \$65,000 which Wrightsville Beach levied in the current year, we see that a total levy of \$72,406 on a total valuation of \$4,195,755 (\$3,256,110 for Wrightsville Beach and \$939,755 for Harbor Island) would have resulted. The resulting tax rate necessary would have been \$1.73, or a reduction of 27 cents from the present tax rate of \$2.00 per hundred for Wrightsville Beach.

Thus it may be seen that annexation to Wrightsville Beach would have allowed a cut in the existing tax rate for the current year on the basis of the estimated costs. This reduction is possible because, when compared with costs, non-property tax revenues are relatively greater for the two communities combined than for Wrightsville Beach alone.

The non-property tax revenues resulting from annexation would provide

local income of \$4,182 per year on the basis of current assessments.

Local income of \$4,182 per year after 1960. This would leave \$4,182

per year from the property tax. When an allowance is made for non-

property tax, the amount which would have to be levied in 1960 is \$7,402.

Allocating the levy, the following table shows the amount of the levy

which is actually greater than actual non-property tax revenues, but the amount

which is carried forward into the subsequent budget year and year.

If this amount is added to the approximately \$65,000 which is available

in the current year, we see that a total levy of \$72,402 on a

valuation of \$1,250,000 (72,402/5.95) for the following year and \$72,402

for the following year would be required. The resulting tax rate necessary

\$5.95 per hundred for the following year.

It is seen that annexation to the following year would have

a net in the existing tax rate for the current year of the

annexation. This reduction in the tax rate, when annexation is

annexed, but revenues are relatively greater for the two counties.

Incorporation

As indicated before, the estimates of cost for all the general fund services following separate incorporation are subject to greater error than the estimates on cost following annexation to Wrightsville Beach. Cost patterns and service levels for Wrightsville Beach are already established. In contrast, levels have not been established for Harbor Island acting on its own. And as we have seen, there are a number of ways to provide each service and the total cost will vary according to the method adopted.

Our estimate of \$18,155 to cover the cost of providing general fund services is close to a minimum figure. This has been estimated near the minimum because of the general feeling of Harbor Island residents that services should be held to the lowest satisfactory level.

To meet the cost of general fund services, non-property tax revenues may be expected to provide about \$6,488 a year, leaving \$12,964 to be raised from the property tax (including an allowance of 10 per cent for non-collection). With a valuation of \$939,755 this would result in a tax rate of \$1.38 per hundred.

It thus appears that the average Harbor Island resident would find it less expensive, with respect to general fund services alone, to incorporate than to secure annexation to Wrightsville Beach. While this is true under the given assumptions, it would not be true if expenditures increased. For example, if it became necessary to increase Harbor Island expenditures by \$5,000 an increase in the Harbor Island tax rate of 59 cents to a total rate of \$1.98 per hundred would be required. However, an equal increase in expenditures following annexation to Wrightsville Beach would spread the cost over a much larger property valuation and would only increase the Wrightsville Beach tax rate by 13 cents for a total rate of \$1.86 per hundred. Thus it

Income Tax

Following separate income tax is subject to greater extent than

And as we have seen, there are a number of up to a variable each

the rate of \$18.15 to cover the cost of providing general fund

provided to cover a minimum of \$18.15 per acre of land

because of the general fund of \$18.15 per acre of land

To meet the cost of general fund, the rate of \$18.15 per acre

from the general fund (including an allowance of 10 per cent for

with a reduction of \$18.15 per acre of land

It is the question that is raised about the general fund

and expenditure, with respect to general fund services alone, to individuals

to general expenditure to individual service, which is the main

14. It is the question that is raised about the general fund

\$1,000 an increase in the general fund rate of 10 cents to a total of

48 per hundred would be required. However, the rate of increase is

by 10 cents for a total rate of \$1.00 per hundred. There is

may be seen that a small error in our estimates or a relatively small increase in expenditures would quickly eliminate the advantage of separate incorporation insofar as savings in taxes are concerned.

It must also be remembered that the general fund services do not include water and sewage disposal--the two most costly services and the two which will require the largest capital outlay. These are discussed in the following two parts of the report.

[As noted above, all revenue calculations are based on current property valuations. New Hanover County is now in the process of obtaining a revaluation. This will probably increase the total valuations for both Wrightsville Beach and for Harbor Island. It seems probable, however, that the relative valuations will not change greatly. Thus it would appear safe to use the above analysis in deciding between incorporation and annexation.]

and will require the lowest capital outlay. These are the ones in
the following two parts of the report.

1. The first part of the report is devoted to a discussion of the
various valuation methods. New Jersey County is now in the process of
valuing its property. This will probably increase the total valuation for
the entire State. It seems probable, however,
that the valuation of the State will be increased by about 10%.
The second part of the report is devoted to a discussion of the
various methods of valuation. It seems probable, however,
that the valuation of the State will be increased by about 10%.

PART V. ANALYSIS OF WATER AND SEWER SERVICES

Water Service

A. Present Service

Harbor Island is supplied with water from the Wrightsville Beach water system, except for the homes and businesses along the western end of the causeway. These are not served and depend upon private wells for water supply.

All the water lines on Harbor Island were installed by the Shore Acres Company in the development of the Island and most of them are about 30 years old. The main line across the Banks Channel, which connects the Harbor Island system with the system on Wrightsville Beach, is 5 inches in size. This line increases to an 8-inch line which runs for a few hundred feet along the eastern end of the Highway on Harbor Island. Leading off this 8-inch line is one 6-inch line to the north and another to the south. All other lines are either 2 inches or 1-1/4 inches in size. Individual service lines are 1-1/4 inches and 3/4 inch.

Water pressure on Harbor Island is unsatisfactory in many places. At times, some residents have found it necessary to postpone cooking because of inability to secure any water at all. Though no engineering appraisal has been made, it appears that replacement of much of the Harbor Island water distribution system with larger lines is needed. When the needs of fire protection are also considered, replacement becomes more desirable. It is roughly estimated, without the benefit of an engineering survey, that some \$50,000 would be needed to place the Harbor Island water distribution system in condition to serve adequately both fire protection and domestic consumption needs.

A. Pressure Service

The water supply system for the island is a gravity system. The water is pumped from the main supply line to the island and then distributed to the various buildings.

The water is pumped from the main supply line to the island and then distributed to the various buildings.

The water is pumped from the main supply line to the island and then distributed to the various buildings.

All the water lines on the island were installed by the local government.

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All water supplied to Harbor Island is supplied on a metered basis. In contrast, only commercial establishments on Wrightsville Beach are metered at the present. This has been the source of some discontent on the part of Harbor Island residents who feel that in thus operating they are being unfairly treated by the Town of Wrightsville Beach.

In the past year (ending with the third quarter of 1956) there were 76 commercial meters on Wrightsville Beach and 750 residential taps which were not metered. The average revenue from the commercial users for the year was \$64.62, while the average revenue from each residential tap was \$40.15 for the same period.

In comparison, the average revenue from the 199 metered users on Harbor Island during the same period was \$38.81. Thus it may be seen that the average Harbor Island user paid less for water than did the average Wrightsville Beach user. It seems likely that less water was consumed by the Harbor Island user, but how much less is unknown.

Wrightsville Beach officials have indicated that it is their eventual plan to meter all water supplied to Wrightsville Beach users just as is now being done on Harbor Island. When this is done, water revenues will probably not change greatly, but some drop in average water consumption may be expected.

B. Cost Under Alternatives

Annexation. Annexation of Harbor Island by Wrightsville Beach would mean no change in water rates and would produce no change in administrative and billing costs as these are all borne by Wrightsville Beach at present. Apart from the cost of replacing the distribution system on Harbor Island, referred to above, the only added cost would be for maintenance of the lines. Using Wrightsville Beach per tap maintenance costs, this would result in an

of the Harbor Area - is applied on a regular basis.

only commercial establishments on Whittier Island. The water

This has been the source of some discussion on the part of

Island residents who feel that the water quality is being

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added expense of about \$726 per year. Should the distribution system be replaced, the cost would probably be less for several years thereafter. However, if the system is not replaced, the costs could exceed this figure in a few years.

Incorporation. Following incorporation, the cost of water service to Harbor Island would vary, depending upon the organization of the water supply service.

Under one procedure, Harbor Island might ask Wrightsville Beach to continue to serve all Harbor Island residents as at present and request Wrightsville Beach forces to maintain the lines on a contract basis. In this event, Harbor Island residents would continue to pay their water bills to Wrightsville Beach and the Town would pay for service on the lines, probably about the \$726 a year noted above as the estimated cost of maintenance.

The second alternative open would involve the purchase of water from Wrightsville Beach at wholesale and its distribution to residents by the Town of Harbor Island. This would require the establishment of a water billing and collecting system, meter reading, and a separate maintenance force. Under this plan the maintenance required might be let on contract, either to Wrightsville Beach or to private contractors, or it might be performed by the employees of the Town. The net cost to the Town of Harbor Island under this plan is difficult to estimate since the cost of water from Wrightsville Beach is unknown. It would seem probable, however, that the total cost of water service to Harbor Island residents would increase because of the need for adding an additional administrative unit. (This, of course, would probably not be a full administrative unit since a single unit could also handle taxes and other matters as well as water.)

should the distribution system be

cost would probably be less for several reasons.

If the system is not regulated, the costs could exceed the figure

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There would also, depending upon the organization of the system, be

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The second alternative would involve the purchase of water from

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system, which would require the establishment of a water

to the distribution of water to the private consumers, or to the right to

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cost of water to the town. The net cost to the town of water

for adding an additional administrative unit. (This, of course,

is not a simple one, but it is a complex one.)

The drilling of additional wells on Harbor Island so that all water used could be locally produced would provide a possible variation of the above plan and would eliminate the purchase of water in bulk from Wrightsville Beach. The cost of drilling wells (if feasible) has not been estimated. Again, it would appear that this procedure would not reduce the total costs.

[See Part VI (page 31) for a discussion of the methods of financing the estimated \$50,000 improvement needed in the distribution system.]

Sewage Disposal

The sewage disposal problem is one of the most serious facing Harbor Island residents. At present, all homes and businesses are served by septic tanks. For some time, this method of disposal has been unsatisfactory on parts of the Island, and after Hurricane Hazel disposal conditions became quite unsatisfactory in places--well below the standard required by the New Hanover County Health Department.

Following Hazel, and with the urging of the Health Department, the residents and the County installed storm drainage in part of the Island. As a result, the operation of the septic tanks has become more satisfactory. However, the Health Department still considers the septic tanks unsatisfactory and feels that the only adequate solution is the installation of a sanitary sewerage system. Many people on the Island disagree with this opinion, especially those on the northern end of the Island where septic tanks operate best because of better drainage and larger lots.

No study to determine the type of sewage disposal system which should be installed and its cost has been made. Two methods of disposal have been suggested. Under one suggestion, the sewage collection system on Harbor Island would be connected to the disposal plant on Wrightsville Beach, either under water from the northern end of Harbor Island, or through the use of lift pumps

[See Table VI (page 31) for a description of the results of the study.]

[Estimated \$50,000 improvement needed in the distribution system.]

CONCLUSIONS

The results of the study indicate that the distribution system is in need of improvement.

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and across the new bridge to the 16-inch collector line on Wrightsville Beach. The disposal plant on Wrightsville Beach was originally designed to accommodate Harbor Island and its capacity is adequate to do so. A second possibility is the construction of separate disposal facilities on Harbor Island.

An engineering survey, which would probably cost about \$500, should be made to determine the best method of providing for sewage disposal and the approximate cost. Very rough estimates (based on the assumption that disposal would be through the Wrightsville Beach plant) suggest that a cost of \$200,000 for providing adequate sewage disposal to Harbor Island may be expected. This cost should be the same whether Harbor Island is incorporated or annexed to Wrightsville Beach.

[Since no sewers now exist on Harbor Island, the discussion of the cost of maintenance and operation as well as original financing is reserved for Part VI, page 31.]

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PART VI. FINANCING WATER AND SEWER IMPROVEMENTS

Introduction

For the purpose of the following discussion, we have assumed that all improvements will be financed through the issuance of general obligation bonds, that the interest rate to be paid will be 5%, and that water rates and sewer charges will be set to provide retirement of all indebtedness with interest in 30 equal annual installments. Considering the present bond market and the size and coastal location of both communities, the 5% interest rate assumed is probably none too high.

It has also been assumed that the Town of Harbor Island, following incorporation, would be able to sell the required amount of bonds at this interest rate. This assumption is certainly open to question. Under the current valuation the resulting debt would be about one-fourth of the total valuation. Even after re-valuation the debt-valuation ratio would be abnormally high and would greatly impair the saleability of the bonds.

Thus the assumptions about interest rates and the ability to sell the bonds are made for the purpose of drawing a clear comparison between the alternatives. Once this comparison is complete, allowance must be made for the relatively poor stature which Harbor Island would present in the bond market if standing alone.

Incorporation

A. Water

Amortization costs on the estimated \$50,000 of water improvement bonds would total \$3,222 a year. Should this cost be borne equally among the 199 water users, the average increase in the water bill for each user would be \$16.19 a year. Added to the current average bill of \$38.81 (which covers

The purpose of the following information is to provide a general overview of the

results of the research project and to discuss the implications of the findings.

It is important to note that the results of this study are preliminary and should be

interpreted with caution. Further research is needed to confirm the findings and to

explore the underlying mechanisms of the observed effects.

The study was conducted in a laboratory setting and the results may not be directly

applicable to real-world situations.

It is also important to note that the study was limited to a specific population and

the results may not be generalizable to other groups.

The study was funded by the National Institutes of Health and the results are

available in the public domain.

The authors would like to thank the following individuals for their assistance:

Dr. John Doe, Dr. Jane Smith, and Dr. Robert Johnson.

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The National Institutes of Health, the National Science Foundation, and the

Department of Education.

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The authors would like to thank the following individuals for their assistance:

supply, operation and maintenance) we find that the average Harbor Island water user would pay \$55.00 a year for water.

It is possible, of course, that following incorporation the Town of Harbor Island might purchase water wholesale from Wrightsville Beach or that the Town might drill additional wells to supply its citizens with water. Either procedure could result in a change in water rates. It seems unlikely, however, that rates would be lower under either of these alternatives. In any event, the average cost of \$16.19 a year per user for debt retirement would remain the same.

B. Sewers

Installation of the sanitary sewerage system is estimated to cost \$200,000. Under the given assumptions, amortization costs will amount to \$12,888 a year. Assuming one sewer connection for each water connection, it may be seen that an average sewer charge of \$64.76 must be made against each user annually to meet debt retirement. To this must be added the costs of operation and maintenance, which would amount to about \$20.00 per year on the basis of experience in Wrightsville Beach. Thus the total annual sewer charge per user would amount to about \$84.76.

C. Combined

Adding water and sewer debt costs and maintenance and operation costs, we find that the total average annual bill per user would be \$139.76.

Annexation

A. Water

Annual amortization costs following annexation would be the same as after incorporation under our assumptions--\$3,222. However, there are 1,026 water users in both communities. Thus on the average each user would be

no relationship was found between the average number of

months per year of water.

a relationship of course, that following inspection the loss of

water might produce water which is not available for

and still available while in storage for water.

proportion could result in a change in water usage. It seems unlikely

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subject to an increase in his water bill of \$3.14 a year. As indicated before, this would be in addition to the present charges. This means, of course, that Wrightsville Beach users would be helping to pay for improvements located on Harbor Island.

B. Sewers

As we have seen, \$12,888 a year would be required to amortize the sewer improvements. With an estimated 1,000 connections in the two communities, this would mean an average annual increase in sewer charges of \$12.89 per user. Added to the estimated \$20.00 per user needed for maintenance and operation, the total annual sewer charge per user amounts to \$32.89.

C. Combined

When debt retirement costs for the needed improvements in water and sewer services for Harbor Island are added to the operational and maintenance costs to be anticipated, we find that following annexation to Wrightsville Beach the average Harbor Island resident could expect to pay about \$75.00 a year for water and sewer services.

Table 3 on the following page summarizes the cost of water and sewer services, assuming that the proposed improvements are made as indicated, for the average user on Harbor Island. Total costs for the average resident on Wrightsville Beach would be about \$2.00 higher since the average water payments are now higher than those for Harbor Island.

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Table 2 on the following page summarizes the results of the study.

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TABLE 3

ANNUAL COST OF WATER AND SEWER SERVICES FOR HARBOR ISLAND
RESIDENTS UNDER ALTERNATIVES

	<u>Incorporation</u>	<u>Annexation</u>
Water		
Debt Retirement	\$ 16.19	\$ 3.14
Operation and Maintenance	38.81	38.81
Sewer		
Debt Retirement	64.76	12.89
Operation and Maintenance	<u>20.00</u>	<u>20.00</u>
Total	\$139.76	\$74.84

2. 1974.

ANNUAL COST OF WATER AND SEWER SERVICE FOR 1974
CALCULATED FROM 1973 DATA

Category	1973	1974
Operating and Maintenance	1,100,000	1,150,000
Debt Retirement	200,000	200,000
Total	1,300,000	1,350,000

PART VII. CONCLUSIONS

It was not the purpose of this study to make a recommendation as to which course of action the people of Harbor Island should take. Rather, the purpose was to analyze the costs, the services, and the revenues likely to be experienced under each alternative. With this information carefully set forth, the people of Harbor Island should then be in a better position to make their own decision.

It is appropriate, however, to outline in general form the results of the study and to point up the significance of the findings in terms of the decision to be made. Such an outline follows.

More Services Needed

More and improved services are needed on Harbor Island to provide the conveniences of daily living which most citizens want and to protect property values. Property without adequate water, sewage disposal, streets and fire protection is property with low market value. Where development is dense, these services are even more necessary to the maintenance of values and healthful living conditions. Services, however, are not free. If they are to be secured, they must be paid for.

Municipal Framework Needed

The municipality is best equipped to provide the type of services needed by Harbor Island. By law the municipality is endowed with the power necessary to organize and maintain such services efficiently. Being so organized would also enable the community to participate in the receipt of State-shared taxes or to receive certain Federal aid for which it is not now eligible. Wrightsville Beach, for example, received \$121,000 in Federal aid

It was not the purpose of this study to make a recommendation as to
the extent of action the people of Harbor Island should take. Harbor, the

people of Harbor Island should take the action which is their own decision to

and to point up the significance of the findings in terms of the

CONCLUSIONS

and improved services are needed on Harbor Island to provide the
more of daily living which most citizens want and to protect their
property with the highest value. When development is desired,

in future conditions, however, and not there. It is

the Harbor Island, by the municipality is expected with the

would also include the necessity to participate in the

cases or to receive certain Federal aid for which it is not

following Hurricane Hazel. Either of the proposed alternatives would provide the basic municipal framework needed.

Factors Affecting the Decision

From this study it appears that these things should be borne in mind in deciding between incorporation and annexation to Wrightsville Beach:

A. A valuable, cooperative relationship now exists between the two communities with respect to such things as schools, recreation, postal service, water, fire protection, and garbage disposal.

B. It will be necessary and to the advantage of both communities to continue the close cooperation, regardless of which course of action is taken.

C. Considering only the cost to the individual Harbor Island resident, the two alternatives may be evaluated as follows:

1. If nothing is done to improve the water distribution system or to provide a sanitary sewerage system and if the general fund services are held to a minimum, it will be less expensive to incorporate.
2. On the other hand, if the water distribution system is to be improved or if a sanitary sewerage system is to be installed, or if general fund services are to be maintained at a high level, it will be less expensive to secure annexation to Wrightsville Beach. In fact, it is probable that only through annexation and the consolidation of taxable resources with Wrightsville Beach will it be possible to finance the costly improvements needed for adequate water supply and sewage disposal.

It is not necessary to say that the relationship between the two variables is not a simple one.

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A variable, however, is not a relationship between two variables.

It is with these two variables that we are concerned.

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APPENDIX

Comparison of Estimated Costs for Typical Harbor Island Resident

<u>Cost</u>	<u>Present</u>	<u>Incorporation</u>	<u>Annexation</u>
Shore Acres Ass.	\$30.00	\$ -0-	\$ -0-
Auto License	-0-	1.00	1.00
Property Taxes ^a	-0-	75.90 ^b	85.15 ^b
Water	38.81	55.00	42.95
Sewer Services	20.00 ^c	87.76	32.99
	<hr/>	<hr/>	<hr/>
Total	\$88.81	\$219.66	\$171.99
Less saving of 23% on State and Federal Income Taxes		\$201.97	\$149.88

NOTE: The above comparison assumes a typical resident whose assessment to Shore Acres is \$30.00 a year, and who has real estate valued at \$5,000 and personal property valued at \$500 for tax purposes. Any resident may use the information in this table, together with his own Shore Acres assessment, property tax valuations, water bills, and septic tank maintenance costs, to compute his total tax and service costs under the two alternatives as compared with his present costs.

^aThe property tax rates used are those developed in Part IV: \$1.38/\$100 for Harbor Island and \$1.73/\$100 for Wrightsville Beach after annexation.

^bProperty taxes paid may be subtracted from gross income in computing Federal income taxes if deductions are itemized. Taxpayers in the lowest income bracket who itemize on both State and Federal returns will thus save on income taxes an amount equal to 23% (20% Federal and 3% State) of their local tax payments. Taxpayers in higher income brackets will save more on their local taxes. The total tax and service cost less this saving is shown below the totals in the table above.

^cAnnual maintenance cost on septic tank and grease trap is estimated at \$20.00.

APPENDIX

Comparison of Estimated Costs for Typical Harbor Island Resident

Cost	Present	Incorporation	Annexation
Shore Acres Ass.	\$30.00	\$ -0-	\$ -0-
Auto license	-0-	1.00	1.00
Property Taxes ^a	-0-	75.90	85.15
Water	38.81	55.00	45.95
Sewer Services	20.00 ^c	87.76	35.99
Total	\$88.81	\$229.66	\$177.99
Taxes		\$203.97	\$169.88
State and Federal Income			
Less saving of 23% on			

NOTE: The above comparison assumes a typical resident whose assessment to Shore Acres is \$30.00 a year, and who has real estate valued at \$5,000 and personal property valued at \$500 for tax purposes. Any resident may use the information in this table, together with his own Shore Acres assessment, property tax valuations, water bills, and septic tank maintenance costs, to compute his total tax and service costs under the two alternatives as compared with his present costs.

^aThe property tax rates used are those developed in Part IV: \$1.38/\$100 for Harbor Island and \$1.75/\$100 for Wrightsville Beach after annexation.

^bProperty taxes paid may be subtracted from gross income in computing Federal income taxes if deductions are itemized. Taxpayers in the lowest income bracket who itemize on both State and Federal returns will thus save on income taxes an amount equal to 23% (20% Federal and 3% State) of their local tax payments. Taxpayers in higher income brackets will save more on their local taxes. The total tax and service cost less this saving is shown below the totals in the table above.

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